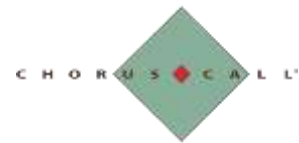




“Can Fin Homes Limited Investor Conference Call with Bandhan Mutual Fund”

February 11, 2025



Questioner: This is 11th of Feb, I am meeting with Stamping Management. I am from the management team. We have Mr. CEO [inaudible 0:00:08], this is Ashwagandha. Yes. So sir, great, thanks.

Thanks for taking time out of the meeting. So if you could just start off, post our results, so during our results we had mentioned about the e-Khata issue, probably some 45,000 e-Khatas were issued out of Stamping Lab. Any further progress on that?

Also to understand the 10 lakh thing, by what level, then it will be business as usual. Because we get to, we feel that even if it reaches 2 lakh or 3 lakh, it is only 20% or 30%. But that should not be the case for a business. You can help us, and then by when we expect it to reach there. Sure.

Suresh Iyer: See in e-Khata basically, what the government said is that all those people who are having ownership, this e-Khata is basically going for the digital record of the property ownership. So it is not necessary that this 12 lakh or whatever, because even after that there was another thing saying that 45,000 has increased to 1.25 lakh, but the 10 lakh has also increased to 12 lakh.

But the point is that 12 lakh also need not necessarily be for new loans only. Because somebody, like I have a e-Khata, or I have documents of my property, which I am owning for the last 10 years, but since the government has now said that you should get the e-Khata also done, I might want to get it done only for my record keeping. So not necessarily that the entire 12 lakh is going to affect the business of all the housing finance companies or banks.

Okay. Now having said that, if you look at it while the pace has improved, what has happened is, now a little more, this BBMP, particularly the corporation limit properties, the e-Khatas have become a little easier. They have now started to come a little faster.

Obviously because the documentation, builders, mostly builders, so that paperwork is all complete, first time buyers, many of them. So I think that is also helping that, the less complicated documentation. Whereas maybe the ancestor properties where multiple transactions have happened, gift deeds, all those properties, e-Khatas might take a little longer.

And same way for the properties which are on the outskirts, it is taking a little longer time. It has not yet started actually. So BBMP properties, it has started a little better. We are also seeing a little improvement because we used to do about INR275 crores average in every month in Q2, in Karnataka. That in October, November fell down to almost INR150 crores per month because of this e-Khata.

Questioner: This is a disbursement number?

Suresh Iyer: Disbursement number, because of this e-Khata issue. January, we have been able to touch about, just about, touch INR200 crores in Karnataka because, some more e-Khatas have started coming in. And we also slightly modified our, or changed our segment because LAP also is slightly improved in Karnataka because, in LAP, you don't need to get a fresh registration.

Property documents are already available. You are just, so LAP is slightly improved in, increased in Karnataka. So, both these things put together has slightly helped that now we have touched INR200 crores.

Hopefully, by March, we should touch about INR250 crores from Karnataka in the month of March. So, this is the expectation. Now, it will still not be the, what we were expecting or what, because 275 in Q2 means you would have easily expected 300 plus in Q4 per month in Karnataka.

But still, we will be around 250. So, that will at least look at it. So, that is what it is. And probably next year, somewhere, slowly, this pace of release of e-Khata's keeps on improving like this. And probably by mid of next year or maybe Q2, we should be able to be back to the old numbers.

Questioner: So, why?

Suresh Iyer: So, I would still say that, 250 also, if we are able to reach by March, I think we will be back to the old numbers in Q1. Right.

Questioner: So, sir, this is a [inaudible 0:04:20] few of the previous, some of the previous polls. But a large part of this is in Bangalore. It is not within that BBMP. The improvement that we have seen is largely coming from Napa?

Suresh Iyer: No, no. We have also shifted slightly to this, to this BBMP, within BBMP also a little bit. And some of the, but you are right. Like, for example, today, all our branches also in Bangalore, when we are looking at it, they are in the slightly outer portions like Athibelle, then you have this Voskote, then you have Devanahalli. And so, all four sides, if you look at it, our Somapura, all those sides, our branches are on the outskirts. But yes, there are also properties which they are able to get some, some BBMP approvals and things like that. And we are able to slightly help.

Questioner: And sir, this thing, as far as, sort of like all buildings, they come up in the, within the city limits, or they are coming up outside the limits?

Suresh Iyer: Yes. So, even in the outskirts, like, if you look at, the Sarjapur road, if you look at the Voskote side, that side also, even right up to, Devanahalli, near the airport side and all, and beyond that also, also it is coming. Same way, it is happening on all four sides of the city, Nelamangala, you see, Tumkur road, you see, this side also, you see, Sur road, all those sides.

So, it is happening across also, bigger city, builders are also coming up in those places. If not, the bigger, at least the can be builders are also there in these places also. So, the development is all around, even on the, all around, all four sides of Bangalore, it is happening and builders are also there.

Questioner: Sir, just the point that, what level of things will be like, for us, if there could be a business as usual?

- Suresh Iyer:** I think, even, I would say, max Q2, we should be able to say, we can probably say, will definitely be business as usual. I got number, see, see, as I said, no, no, I will say, only when in outskirts, other than BBMP also, when they start doing, that is when we can say, we will be able to say, we are back to the old numbers. Because, today also, BBMP has started but outskirts, which is also, as you rightly pointed out, this is also where we are doing a lot of business, there it is still affected. We are not able to get the e-Khatas like, the older days, earlier period.
- Questioner:** Sir, also, Telangana is not showing much improvement, the demand side is still affected. In fact, we are already in a state position where out of the six zones, you know?
- Suresh Iyer:** Telangana will be negative but all other five zones will be positive by the end of the year. We will have a positive growth but Telangana is almost 33%, negative even today compared to last year. Last year we did about, INR1,700 odd crores we did in Telangana.
- Questioner:** For the full year?
- Suresh Iyer:** For the full year. FY24? FY24. Okay. FY25 we have just crossed INR1,000 crores and by the end of the year we will probably be around INR1,200 crores, somewhere around INR1,200 crores per month is what we were doing earlier and this thing. We are now almost to INR100 crores per month.
- Definitely it will be INR1,700 crores and something almost to INR150 crores per month. We are to INR100 crores per month is what we have done INR1,000 crores in 10 months this year. We have crossed INR200 crores only per month.
- So 33% negative is there in Telangana. But now we have reached a point where I believe 100 crores is the bottom, complete bottom even with all those negativities this much business is happening. So from here to do about 20% growth next year will not be a problem.
- 100 to 120 is not a big ask. We may still not be back to the INR150, INR170 crores that earlier we have done. But we will definitely be positive next year. We should be able to become positive in Telangana also.
- Questioner:** So this is what is [inaudible 0:09:11] It is not a big It is now But every successive month, I think, even I think, the guidance kept on coming up more. Could we now be very sure that this INR2,400 crores will definitely be met in 4Q? Because this also, I think, we were expecting somewhere, before the call, I think, expecting at INR3,000 crores, right?
- During the call, that's when we thought that the fourth quarter will be equal to fourth quarter. Otherwise, pre the call, the expectation was this number would be INR3,000 crores.
- Suresh Iyer:** You were right in Q2 when we said we achieved around INR2,380 crores. At that time, yes, the idea was that INR2,700 we would achieve in Q3 and around INR3000 crores in Q4.
- Questioner:** No, no, so what I mean is that once the third quarter results were about to come, or rather when between the 2Q and the 3Q result is when this problem started, right? And that's when, I think,

in some of the conferences where, when at least we came to know for the first time that the guidance will be not met at least for 3Q, the 4Q was still to be INR3,000 crores.

Suresh Iyer: We were, no, no, we said we are, it all depends on this how quickly, because see this, this circular came around 27th, 28th of September. So that was the time. So we, at that time, they said it is just a procedural matter, the state government. [inaudible 0:13:50]

Questioner: And this can happen?

Suresh Iyer: So we will, it is still much lower than what we did in Q2 because in Q2 alone we were doing INR275 crores per month in Karnataka.

Questioner: Then from there to going back to the 2Q level of 270, what is the assessment that we are making here? Why do we think that, back to this and not exceed, are we still expecting that there will be still more delays in procedural? That is the only reason that we are expecting.

Suresh Iyer: That is the only reason because even now, even with all these things, only BBMP has been released. And as we discussed earlier, the major business used to come from the peripheral areas, the developing areas, most of which also come under the Gram Panchayat or, things like that. Till it does not open, we will not be able to say that we are able to reach the old numbers because, that portion of the business is still not started.

Questioner: So for all the people who have not been able to do this e-Khata registration, especially on the peripherals, obviously we have not been able to disburse and that is why the disbursements are lower. So what are these people really at the moment, I mean, they cannot go to any other lender also, right?

Suresh Iyer: No, no, it is not like that.

Questioner: But how are they holding up their demand, I mean...

Suresh Iyer: No, no, it is not like that. See, some of the lenders have started taking calls that, even without e-Khata, they are just on the basis of an undertaking, is what I hear, have been giving the disbursement.

Questioner: Okay.

Suresh Iyer: But till the registration does not happen, the property transfer does not happen. Right. So, in fact, it is a big risk and we have taken a call. [inaudible 0:16:50] Within the city, we will have to be a little more confident. I do not think it will be too much of an issue because, LAP, as I said, slightly has increased from a 5% now it is 6%. So, if this is happening, then obviously LAP, so there we will get a little more, we will offset it from there. [inaudible 0:20:25]

Questioner: So, but LAP is started every month for the customer.

- Suresh Iyer:** Depending on which, so if somebody has taken a disbursement in the month of April, it will happen in April, somebody has taken in the month of July, it will happen in July, somebody has taken.
- Questioner:** Then we change it, even if the customer has taken a disbursement in December, but if there is some change which happens in the middle of April, 15th of April is when you revise the rate. Starting 1st of May, that even that customer benefits or penalizes for the interest rate.
- Suresh Iyer:** No, so what we did was from 1st of January, we set policy from annual to quarterly. Okay. So, all new customers from 1st of January are on a quarterly basis. Okay. So, from 1st of January today probably it is around INR8,500 crores of business that has happened has all been on quarterly basis. For existing customers who are on annual reset basis, they have to, have a little bit of documentation, they have to give acceptance letter, then they will also be converted into quarterly reset.
- Now, as of 31st of December, only 20% of our book is under quarterly reset. The remaining is still under annual reset because customers have not, done it, but now that the rates have started coming down, they will definitely want to come and we have sent communication or SMS's to our customers also that, if you want to have quarterly reset, you can come and execute this documentation at their price. So, now that the rates have, till now in, from January the rates were, the repo rate did come down.
- Now, it has been announced. So, now customers will want to, change. So, we expect that, this 20% will now quickly go up.
- Questioner:** Right.
- Suresh Iyer:** And once it is done, it will again be quarterly. So, for example, if it was somebody has taken a disbursement in May, then even if we change in the month of June, the reset will happen in the, not in September, it will happen in August.
- Questioner:** 3 months from May?
- Suresh Iyer:** 3 months from May. 3 months.
- Questioner:** Even from disbursement?
- Suresh Iyer:** 3 months from disbursement. So, somebody has taken in April, then it will be April, July, October and January. If somebody has taken in May, it will be May, August, November and February.
- Questioner:** So, sir, but, so this 20% report, we have to assume that may come 31st March, we will do, there are rates downwards to some extent.
- Suresh Iyer:** Yes.

- Questioner:** May not be 25% but to some extent anywhere between say 10% to 25% we will have to reduce the rate? If we do it, say, on 31st of March, by the time the first quarter ends, starting 1st July, this 20% of the book will be reprised.
- Suresh Iyer:** Correct.
- Questioner:** Plus, there could be another some...
- Suresh Iyer:** Another 15-20% of the customers who will want to come and improve the documentation, correct.
- Questioner:** But what I understand not a 40% of the borrowing hypothetically would be lower yielding, there. But what are 40% of the borrowing that we re-price at a lower rate, right?
- Suresh Iyer:** No, currently 60% of our liabilities, 60 to 65% of our liabilities are linked to either repo because 56% of our total borrowings is bank borrowings. Our entire bank borrowings have been shifted from MCLR to repo. Or some small portion, two of the banks are yet on the T-bill but T-bill also will come down so on 60% of our or 56% of our liability side immediately we will get the benefit okay. Again it will be monthly, quarterly or they also whatever is the reset clause we have time with the individual banks that will get happen 7% of our borrowing today is on CP. So the CP also rates will come down. So 56% -- 55%, 56% plus 7%. So that is why I am saying 60% to 65% of our liability set will get repriced within a quarter.
- Questioner:** Okay. This probably here is meaning that currently we are expecting somewhere around 40% of the book on the yield side.
- Suresh Iyer:** Correct. No, no, but even if say for example 100% of the customers come forward and execute this documentation and move to a quarterly basis. On 60% of the book if I am getting 25 bps benefit or say 20 bps benefit because the T-bills and this may not happen at the same rate. Suppose, if I am getting 20 bps benefit of 60% of my liability side I will pass only 10 or 12 bps on my entire asset side because we are not right now required to – it's not EBLR linked, it's not a benchmarked linked prices. So on this side it is still our EBLR.
- Questioner:** But sir generally...
- Suresh Iyer:** We will have to pass on. So we will pass on, but we will pass on 10 bps, 12 bps, 15 bps depending on what we experience on our liability side and this I am mentioning only on in terms of the bank and the CP. 50% of our NHB portfolio is also linked to – is also floating, but NHB follows a annual recent policy. So that will take time come into our books.
- Questioner:** Within our sub borrowing a share of energy has been gone down, is it because the color of the book is changing because slowly we are inching towards our higher ticket size segment, is it primarily because of that or is it some norms of NHB has changed as to depending on someone who has INR30,000 crores will only give you this much even if you [inaudible 26:32] INR50,000?

Suresh Iyer: Yes. So NHB actually has a criteria where a percentage of their NOF and similarly a percentage of NOF of the lender and a few other norms is what is the criteria for their exposure limit like per party exposure limit they also have. So we practically have reached our exposure limit. So going forward if we will not be able to grow and expedite the same percentage coming from NHB. So this percentage will have to start coming down because it all depends on the NOF of NHB to grow and it depends on NOF also. So we cannot expect that kind of growth.

So last year we had 1,500 crores sanctions from NHB because that was the limit we were almost touching the limit. So we were sanctioned INR1,500 crores, but we did not draw in FY24 this INR1,500 crores because the rate of interest was higher. So we did not go for it. This year they sanctioned us INR1,500 whatever unutilized we were able to draw plus whatever repayments because we have a quarterly repayment is also happening. So that opened up some more limit for us.

So this year therefore they sanctioned INR2,000 crores. We would have drawn the entire INR2,000 crores. We drew INR1,600 crores in November I think on November end I suppose we drew INR1,600 crores and another INR400 crores we have drawn in this quarter that is on the month of January.

Questioner: What yields are cost that is coming here?

Suresh Iyer: So NHB the blended cost because it's a 1:3 ratio one times affordable fund and three times regular refinancing. So, the blended cost in what we drew towards INR1,600 crores was around INR7.63 or 7.64. This time it is 7.54 or something the remaining balance INR400.

Questioner: Then here sir [inaudible 28:26] when the advances get actually reset for you, how does the reset happen in the NHB case because I don't remember the numbers like if he also shares that, there was a fixed spread booking case of NHB also and then there was obviously the debt there was no spread restriction. So what happens in case of a lower interest rate to all the borrowers whom you have given against an NHB borrowings or the ones who are meeting the NHB criteria?

Suresh Iyer: In NHB there are two. One is the affordable housing fund or special fund which is there where it is a fixed 3.5, 4.5, 5.5 different points in time there were different rates, fixed rate. Now there we also have to offer with a cap of say 3.5% or 4% above the rate at which they are given. So for us in that case this spread is kept and today even if the rates come down I don't think we will have a problem on that because 3.5% or even 4.5% plus 4% is still lower than what current lending rate is. So that is not a problem for us.

Questioner: And what is what portion?

Suresh Iyer: Roughly it is I would say about out of INR6,000 crores of NHB I think 2,400 is the fixed portion 40%, 45% is the fixed portion of the NHB.

Questioner: So that doesn't impact your...

Suresh Iyer: That doesn't.

- Questioner:** But that just 2,400 for outstanding also on a advances also would be little more though, but on the advances side what would be the mix of these wherein it is a fixed price?
- Suresh Iyer:** Our advances are 100% is floating I mean 99.7% or something of that.
- Questioner:** No, the lending which has been done under this scheme, what portion is that lending as a percentage of your book today?
- Suresh Iyer:** Today anyway it is kept because of the cap that they have put. It is at a lower which is you can say it is fixed only for us because today our incremental lending is at minimum 8.95%. So 4.5% plus 5% also is at 8.5%. So I don't unless the repo comes down by another say or my lending rates comes down by another say 75 bps or more then only I will have a problem where I will have to reduce the rate from there.
- Questioner;** And sir what is that absolute book that need not change?
- Suresh Iyer:** As I said INR2,400 crores of their NHB refinance I think is something approximately that, would be something which is not going to change, the spread is fixed the rate is fixed. The balance portion as and when I get it will be able to.
- Questioner:** It's been between some over the 7 year it will be pass through P&L, some would be depreciated and you also talked about some numbers which would be impacted on quarterly basis?
- Suresh Iyer:** See the numbers frankly in next 2 weeks' time we will be uploading the entire cost break up year wise on the stock exchange also because we have just finally got the revised price and everything and further break down into capex, opex and everything that has been worked out. We are just going to the IT committee and the board and once it is approved then we will be putting it up, but roughly what original budget was sanctioned was around INR250 crores, but now that was 2 years back.
- So there is some escalation upfront I can tell you. There is some escalation to that price, but roughly you can say that about opex will be about starting from FY27 would be around INR30 crores, INR35 would be the opex which will come into our books.
- Questioner:** That is per annum INR30 crores, INR35 crores...
- Suresh Iyer:** Yes will be the – will not be the added one that will be the total cost, but currently we are spending about INR15 crores. So effectively the net increase in the opex would be INR20 crores.
- Questioner:** But that would only come from FY27?
- Suresh Iyer:** FY22 before that some smaller portion would come that is roughly it will be up, the final figures will be uploaded once it is approved in about 2 weeks' time, but roughly, broadly I can tell you from FY27 because what we worked out is by November 25 is when we will be implementation of the project will happen and then there is a 6 month odd this period where again it will be

under observation in August. So I forget that name. So that is 6 months. So basically March 26 will be over by that time.

So from April 26 onwards which will be FY27 is when we will actually have the opex which will be coming in, till that time it is the implementation, till that time whatever is the cost will anyway be capitalized and that will be spread over the balance period. Now by 31st March, 2026 our existing vendor their product will also be sunset.

So what will happen is till March 26 we will have the expense of our existing vendor which is about INR15 crores per annum and from April 27 roughly from that period we will have new cost of the new project which is there which is about INR30 crores, INR35 crores per annum. So FY27 you can say that INR20 crores additional cost will come in, that is on the opex side.

On the capex side, yes there is upfront which will have to be done because we will have to purchase the licenses, we will have to purchase the hardware, we will have to do all those things again that will be spread over 7 years. So that cost we will give you the breakup with the timing schedule and everything in about 2 weeks we should be able to upload on to the stock exchanges.

Questioner: Thanks a lot.

Suresh Iyer: Thank you.